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# Dialing Up the Volume on Strategic Innovation

by **Graham Kenny**

As generations-old business models are upended by innovations in retail, financial services, bookselling, and a host of other industries, companies must continually adjust their strategic positioning to edge out rivals. But senior executives often find it difficult to conceptualize all the tweaking and retweaking that must be done — let alone explain it to their employees. As a result, people throughout the ranks are often confused about what their company is trying to accomplish in the marketplace.

To help my clients fix this problem, I've devised a tool that draws on a simple metaphor: the volume control on a computer. Designing and revising strategy requires regular repositioning on key components of competitiveness – that is, moving those sliders up or down to control the "volume" in each area.

McDonald's provides an excellent illustration. Some years ago, after decades of nonstop growth, the fast-food chain made a loss. But then it recovered by innovating — fast. The company repositioned itself on four strategic factors: product range, image, store presentation, and price. To identify those four, it reviewed societal changes and trends in health, looked at what competitors were up to, and got back in touch with target customers' tastes and preferences.

The chain turned up the "volume" on its product range, expanding its menu beyond traditional offerings to include more-nutritious foods, such as Salads Plus and grilled chicken, along with some higher-end treats, such as McCafe lattes, smoothies, and cakes. On image, McDonald's moved from its unhealthy pigeonhole to a more wholesome position through advertising, in-store nutritional information and product labeling. On store presentation, it went from dated to modern by changing the layout and colors and by adding wireless Internet connections and plasma TVs. Price was the one strategic factor that didn't require much of an adjustment — McDonald's decided to keep that low.

As a result of the repositioning, customers had additional — and more nutritious — products to choose from, they liked the stores and the changes in image, and they spent more. Getting the levels right on all four factors produced a competitive advantage.

To stay ahead, however, the company had to keep refining its strategy and adapting its business model. It next turned to suppliers. To build a supply chain based on partnership and collaboration that made it possible to serve consistently safe and high-quality food, McDonald's had to move the sliders on factors such as long-term contracts, clear specifications, and on-time payment. The result: improved quality of suppliers' products and services, keener pricing, and timely fulfilment. Those adjustments and improvements were congruent with those already established for customers. The company then made changes that improved working conditions, organizational culture, and professional development for its staff — all of which created the right conditions for employees to get what they needed from suppliers and deliver what customers wanted.

As you're adjusting your own company's sliders, consider these principles:

*Look outside and inside*: A.G. Lafley, the CEO of Proctor & Gamble, re-energized innovation within his company some years ago by taking an outside-in perspective on what the company did. He recognized that key decision makers were spending far too much time at their desks and an insufficient amount of it out in the field. (Executives at most companies are guilty of this.) So P&G created its "connect and develop" model, linking to a vast network of outside innovators around the globe that complemented the company's own capabilities. This meant that executives remained in touch with emerging consumer trends. The company's sliders then moved accordingly, on a just-in-time basis.

*Continually rethink your business model*: A business model is not simply a flowchart of your organization's activities. It involves tending to stakeholders in a way that benefits the company. Finding the right balance right isn't easy, partly because it's a moving target, but again the volume-control metaphor will help: As McDonald's did, think of the relationships your organization has with each key stakeholder group — not just customers but suppliers, employees, and so on. Consider which sliders you should move for each one, and how you can get them all working in concert to obtain competitive advantage.

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